

HANNY HOLDINGS LIMITED

錦興集團有限公司

(Incorporated in Bermuda with limited liability)

82-3638

BY AIRMAIL

Date: 14 December 2005



Office of International Corporate Finance Securities & Exchange Commission Room 3628 100F Sweet North East Washington DC 20549 U.S.A.



Dear Sirs,

HANNY HOLDINGS LIMITED - ISIN US 41068T2087

Attached please find the following documents of Hanny Holdings Limited for filing under the ISIN US 41068T2087:-

- (1) announcement in respect of appointment of independent non-executive director dated 12 December 2005; and
- (2) announcement in respect of interim results for the period ended 30 September 2005.

Thank you for your attention.

Yours faithfully,

For and on behalf of

HANNY HOLDINGS LIMITED

Florence Kam

Company Secretary

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VISIONS AHEAD

HANNY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 275)

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The board of Directors of Hanny Holdings Limited is pleased to announce that Mr. Sin Chi Fai has been appointed as an independent non-executive director of the Company and a member of the Audit Committee with effect from 12 December 2005.

The Board of Directors (the "Board") of Hanny Holdings Limited (the "Company") is pleased to announce that Mr. Sin Chi Fai has been appointed as an independent non-executive director and a member of the audit committee of the Company with effect from 12 December 2005.

Mr. Sin Chi Fai, aged 46, a director and a shareholder of a Singapore company engaged in the distribution of data storage media and computer related products in Asian countries. Mr. Sin obtained a diploma in Banking from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He has over 10 years' experiences in banking field and has 10 years' sales and marketing experiences in information technology industries.

Mr. Sin is currently an independent non-executive director of China Strategic Holdings Limited (Stock Code: 235) and Wing On Travel (Holdings) Limited (Stock Code: 1189). He has been an independent non-executive director of Capital Estate Limited (Stock Code: 193) (resigned on 8 June 2005). The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited. Save as disclosed, Mr. Sin does not have any directorship in any listed company in the past three years.

Mr. Sin was previously a director of a subsidiary in Singapore of the Company (the "Subsidiary") from 27 March 2002 to 12 January 2003 and was re-designated as an independent non-executive director from 13 January 2003 (on which date the shareholder of the Subsidiary has approved the Subsidiary to be deregistered) to 14 January 2004 (on which date the Subsidiary was struck off). Mr. Sin does not have any relationship with any directors, senior management or substantial shareholders or controlling shareholder of the Company. As at the date of this announcement, Mr. Sin does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract entered into between the Company and Mr. Sin but an appointment letter has been signed between Mr. Sin and the Company. He will hold office until the next general meeting of the Company and will be eligible for re-election at the meeting in accordance with the Bye-Laws of the Company. Mr. Sin will be entitled to an annual director's fee of Singapore dollars 10,000.00 for the performance of his duties as an independent non-executive director and a member of the audit committee of the Company (subject to review by the Board from time to time).

Save as disclosed above, there are no other matters in relation to the appointment of Mr. Sin that need to be brought to the attention of the shareholders of the Company.

The Board wishes to express its warmest welcome to Mr. Sin for joining the Company.

As at the date of this announcement, the Board comprises of:-

Executive Directors:

Dr. Chan Kwok Keung, Charles (Chairman)

Dr. Yap, Allan (Managing Director)

Mr. Lui Siu Tsuen, Richard (Deputy Managing Director)

Independent Non-executive Directors:

Mr. Yuen Tin Fan, Francis

Mr. Kwok Ka Lap. Alva

Mr. Wong King Lam, Joseph

Mr. Sin Chi Fai

By Order of the Board Hanny Holdings Limited Chan Kwok Keung, Charles Chairman

Hong Kong, 12 December 2005



HANNY HOLDINGS LIMITED

(Incorporated in Bermuda with limited Hability)
(Stock Code: 275)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

| • | FO | R THE SIX N | 10NTHS EN | NDED SEPTEMBER 30, 2005 | | |
|--|-------------|--------------------------|----------------------------|---|---|--|
| INTERIM RESULTS | | | | | September 30, | March 31, |
| The Board of Directors of Hanny Holdings Limited | (the "Compa | ny") is pleased to annot | unce the unaudited | | 2005 . HK\$'000 | 2003 HK\$:000 |
| condensed consolidated financial statements of the six months anded September 30, 2005 together wi | | | | | (Unaudited) | (Audited) (and restated) |
| 2004 as follow: | • | - · | | Current Assets | | |
| 0 | | | | Other asset | _ | 108,000 |
| Condensed Consolidated Income Statement | | | | Inventories | 1,085,959 | 587,078 |
| For the six months ended September 30, 2005 | • | | | Trade and other receivables | 776,401 | 766,277 |
| | | Six m | onths ended | Investments held for trading | 201,216 | |
| | | | ember 30, | . Investments in securities | - | 144,435 |
| | | 2005 | 2004 | Short-term loan receivables | 258,778 | 111,851 |
| | NOTES | HK\$'000 | HK\$*000 | Short-term loan receivables from related companies | 182,077 | 224,233 |
| | | 4 | (Unaudited | Margin loan receivables | 24,753 | 30,586 |
| • | | (Unaudited) | and restated) | Tax recoverable | 22,527 | 19,855 |
| _ | _ | | | Pledged bank deposis | 20,244 26,368 | 359,603 |
| Turnover | 3 | 2,802,524 | 2,722,355 | Bank balances and cash | 40,308 | 100,860 |
| Cost of sales | | (2,171,743) | (2,157,771) | | 2,598,323 | 2,371,932 |
| Gross profit | | 630,781 | 564,584 | Current Liabilities | | |
| Other operating income | | 41,611 | 43,682 | Trade and other payables | 1,180,334 | 1,011,814 |
| Distribution and selling expenses | | (396,653) | (334,310) | Margin loan payables | 1,180,334 | 253 |
| Administrative expenses | | (118,004) | (151,275) | Bills payable | ,,, | 3,644 |
| Other operating expenses | | (18,461) | (4,948) | Tax payable | 48,948 | 91,420 |
| Change in fair value of conversion | | | | Borrowings - due within one year | 625,593 | 85,881 |
| option of unlisted convertible notes | | 15,568 | _ | Obligations under finance leases due within one year | | 162 |
| Finance costs | | (24,140) | (9,340) | Bank overdrafts | 18,380 | 46,978 |
| Share of results of associates | | (24,126) | (30,448) | | | |
| Amortization of goodwill arising on acquisition of associates | | | (14,045) | | 1,873,405 | 1,240,452 |
| Impairment loss on goodwill arizing | | | (11,013) | Net Current Assets | 724,918 | 1,131,480 |
| on acquisition of an associate Gain on disposal of subsidiaries | | (14,391) 4,276 | | Total Assets Less Current Liabilities | 2,706,630 | 2,416,101 |
| Net loss on deemed disposals of shareholdings in associates | | _ | (11,400) | Non-current Liabilities | *** | |
| The state of the s | | | (11,100) | Borrowings - due after one year Amount due to a minority shareholder | 382,250 | 157,470 2,526 |
| Profit before income tex | 4 . | 96,461 | 52,500 | Deferred tax liabilities | 114 | -114 |
| Income inx expense | . 5 | (48,428) | (67,670) | | 382,364 | 160,110 |
| Profit (loss) for the period | | 48,033 | (15,170) | Total Assets and Liabilities | 2,324,266 | 2,255,991 |
| Attributuhle to: | | | • • | Control and Community | | |
| Equity holders of the parent | | 16,388 | (25,032) | Capital and Reserves Share capital | 2,236 | 2,236 |
| Minority interests | | 31,645 | 9,862 | Reserves | 1,836,935 | 1,804,138 |
| | | | | | | |
| | | 48,033 | (15,170) | Equity attributable to equity holders of the parent Minority Interests | 1,839,171 485,095 | 1,806,374 449,617 |
| Dividend | 6 | 13,418 | 11,193 | Minutity thierests | 405,075 | |
| | | | | Total equity | 2,324,266 | 2,255,991 |
| Eurnings (loss) per share Basic | 7 | HK7.33 cents | HK(13.42) cents | Notes To The Condensed Consolidated Financial Statemen | nts | • |
| A. | | | | For the six months ended September 30, 2005 | | |
| Diluted | | HK6.72 cents | N/A | I. BASIS OF PREPARATION | | |
| Condensed Consolidated Balance Sheet At September 30, 2005 | | | | The condensed consolidated financial statements have been preg requirements of Appendix 16 to the Rules Governing the Listi Kong Limited (the "Stock Exchange") and with Hong Kor | ng of Securities on The Stoc ng Accounting Standard 34 | k Exchange of Hong "Interim Financial |
| | | September 30, | March 31, | Reporting", issued by the Hong Kong Institute of Certified Put | olic Accountants ("HKICPA" | '). |
| | | 2005 | 2005 | 2. PRINCIPAL ACCOUNTING POLICIES | | |
| | | HK\$'000 | HK\$'000 | The condensed consolidated financial statements have been p | prepared under the histories | d cost convention as |
| | | (Unaudited) | (Audited) and restated) | modified for the revaluation of certain properties and finance amounts or fair value, as appropriate. | | |
| Non-current Assets | | | | The accounting policies used in the condensed consolidated | l financial statements are e | onsistent with those |
| Property, plant and equipment | | 73,077 | 70,557 | followed in the preparation of the Group's unnual financial states as described below. | cinema for the year enuce M | aren 21, 2000 exten |
| Intangible assets | | 400,973 | 401,383 | | | mr |
| Interests in associates | | 645,107 · · | 635,729 | In the current period, the Group has applied, for the first time, | a number of new Hong Kong | ringsciar Reporting |
| Investments in securities | | | 123,534 | Standards ("HKFRSs"), Hong Kong Accounting Standards "(HK referred to as "now HKFRSs") issued by the HKICPA that are | effective for accounting our | lods beginning on or |
| Available-for-sale investments | | 690,429 | - | after January 1, 2005, The application of the new HKFRSs ha | as resulted in a change in th | e presentation of the |
| Payments for acquisition of long term investme Deferred tax assets | ents | 150,175 21,951 | 35,000 18,418 | income statement, balance sheet and the statement of chan minority interests and share of tax of associates have been ch | ges in equity. In particular, | the presentation of |
| | | 1,981,712 | 1,284,621 | Statements" and HKAS 27 "Consolidated and Separate Fina | neial Statements", respectiv | rely. The changes in |
| | • | 1,701,712 | .,204,021 | presentation have been applied retrospectively. | • | |
| | | | | | | |

ar earlie

| | The a- | doption of the new HKFRSs has a | resulted in ch | anges to the G | roup's accoun | ing policles la | the following |
|---|-------------------|--|---------------------|------------------------|------------------------|--------------------|---|
| | (a) (b) (c) | HKFRS 3 "Business Combinatio BKAS 32 "Financial Instrumento BKAS 39 "Financial Instrumento | : Disclosure i | and Presentatio | en" | | |
| | (4) | HKAS 38 "Intangible Assets" | | | | | |
| 3. | | ENT INFORMATION | | | | | |
| | | ess Segmente | | | | | |
| | rragin | froup is organized into four (Six g of computer related products, co g. These divisions are the bases or | axumer electr | onic products o | and securities a | nd property de | velopment and |
| | Princi | pal activities are as follows: | | | | | |
| | Tradin | g of computer related products | | | | | |
| | Tradia | g of consumer electronic products | | | | | • |
| | Tradin | g of securities | | | , | | |
| | Proper | ty development and trading | | | | | |
| | Six m | anths ended September 30, 2005 | | | | | |
| | | | Trading of | Trading of | | Property | |
| | | | computer related | consumer electronic | Trading of | development und | |
| | | | Products | Products | securities HK\$'000 | | Consolidated HK\$'000 |
| | Turno | ver | 1,898,845 | 670,944 | 113,935 | 118,800 | 2,802,524 |
| | Segme | ent result | 89,572 | 13,124 | 18,694 | 10,795 | 132,185 |
| | | • | 57,575 | 13,124 | 10,074 | 10,773 | |
| | Unulk Financ | of income icated corporate income, net tecosts of results of associates | | | | | 20,736 1,921 (24,140) (24,126) |
| | | ment loss on goodwill ing on acquisition of an associate | | | | | (14,391) |
| | Guin (| n disposal of subsidiaries heline income (ax | | | | | 96,461 |
| | | r tax expense | | | | | (48,428) |
| | Profit | for the period | | | | | 48,033 |
| | Six m | onths ended September 30, 2004 | | | | | |
| | | | Trading of | Trading of | | Property | |
| | | | computer | consumer | Trading of | development and | |
| | | | HK\$:000 | HK\$:000 | HK\$:000 | HK2.000 (Leging | Consolidated HK\$'000 (Restated) |
| | Turno | ver | 1,807,432 | 913,616 | 1,307 | | 2,722,355 |
| | Seeme | ent result | 96,648 | 14,824 | 10,409 | (56 | 121,825 |
| | Intere | st Income | | | | | 9,405 |
| | Allow | ances for short-term loans receiva | ble | | | | (3,469) |
| | Financ | re costs | | | | | (10,028) (9,340) |
| | Amor | of results of associates ization of goodwill | | | | | (30,448) |
| | | ing on acquisition of associates as on deemed disposals | | | | | {14,045} |
| | | harcholdings in associates | | | | | (11,400) |
| | | before income tax e tax expense | | | | | 52,500 (67,670) |
| | Loss (| or the period | | | | | (15,170) |
| 4. | PROF | IT BEFORE INCOME TAX | | | | | |
| | | | | | | Six months | |
| | | • | | | | Septembe 2005 | 2004 |
| | | | | | HK\$ | '000 | HK\$:000 |
| | | hefore income tax has been arrive | d at after cha | rging (creditin | | • | |
| | Amor | unce for had and doubtful debts tization of goodwill (included in a | dministrative | expenses) | 1 | ,668 - | 7,198 13,347 |
| Amortization of trademark licenses and patent | | | | 403 | 12,186 | | |
| | Depre | ciation and amortization on proper the tax of associates (included | rıy, plant and | equipment | 6 | ,466 | 9,032 |
| | in s | hare of result of associates) | | | | ,029 | 1,320 |
| | | nge losses on fuir value changes on investmen | its held for in | ding | | ,711 ,461 | 838 |

Net gain on trading of derivatives financial instruments

Net realized gain on disposal of listed securities investments. Net unrealized holding loss on other investments.

interest income

| | (Page 2) | |
|----------|---------------------------------------|--|
| Six ment | Six months ended | |
| Septem | ber 30, | |
| 2005 | 2004 | |
| HK\$'000 | HK\$.000 | |
| | | |
| 51,926 | 44,812 | |
| | | |
| (3,498) | 22,858 | |
| 48,428 | 67,670 | |
| | Six mont 2005 HK5'000 51,926 | |

income tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

No provision for Hong Kong Profits Tax was made for the period as the assessable profit of subsidiaries operated in Hong Kong was wholly absorbed by tax losses brought forward.

DIVIDEND

5.

On July 22, 2005, a dividend of HK6 cents per share was declared to shareholders as a final dividend for the year ended March 31, 2005, amounting to HK\$13,418,000.

The directors have resolved to declare an interim dividend of HK4 cents per share in each with scrip option (Six months ended September 30, 2004; Nill should be paid to the shareholders of the Company whose names appear on the Register of Members on January 4, 2006.

EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

| | JIX HIGH | issa ended | | |
|---|------------|---------------|--|--|
| | Septen | September 30, | | |
| | 2005 | 2004 | | |
| | 11K\$.000 | HK1 000 | | |
| Earnings (luss): | | | | |
| Earnings (loss) for the purposes of basic and diluted carnings (loss) | | | | |
| per share attributable to equity holders of the parent | 16,388 | (25,032) | | |
| Number of shares: | '000 | '000 | | |
| Number (Weighted average number) of ordinary shares | | | | |
| for the purpose of basic earnings (loss) per share | 223,628 | 186,553 | | |
| Effect of dilutive potential ordinary shares on share options | 20,311 | | | |
| Weighted average number of ordinary shares for the | | | | |
| purpose of diluted earnings (loss) per share | 243,939 | | | |

The computation of diluted loss per share for the six months ended September 30, 2004 did not assume the exercise of the Company's outstanding share options because the exercise would result in a decrease in loss per share.

INTERIM DIVIDEND

The directors have resolved to declare an interim dividend of HK4 cents per share in cash with scrip option for the six months ended September 30, 2005 (9/30/2004; Nil) to those shareholders whose names appear on the Register of Members of the Company on January 4, 2006. The relevant dividend warrants or share certificates will be dispatched to shareholders on or around March 3, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, January 3, 2006 to Wednesday, January 4, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed share transfers forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrars, Secretaries Limited at Oround Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchui, Hong Kong for registration not later than 4:00 p.m. on Friday, December 30, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and financial review

Results

For the period ended September 30, 2005, the Group's unaudited consolidated profit was HK\$48.0 million (9/30/2004: loss of HK\$15.1 million), which comprised of profit after operating income and expenses of HK\$13.9.2 million (9/30/2004: HK\$117.7 million), positive change in fair value of financial assets of HK\$15.6 million (9/30/2004: HK\$17.7 million), positive change in fair value of financial assets of HK\$15.6 million (9/30/2004: HK\$9.3 million), 9/30/2004: HK\$9.3 million, 9/30/2004: HK\$9.3 million, sa restuted), gain on disposal of subsidiaries and associates of HK\$4.2 million (9/30/2004: HK\$9.3 of HK\$11.4 million), impairment loss on goodwill arising on acquisition of an associate of HK\$14.4 million (9/30/2004; Nil) and income tax expense of HK\$48.4 million (9/30/2004; HK\$67.7 million, as restated). In addition, there was amortization of goodwill arising on acquisition of associates of HK\$14.0 million for the period ended September 30, 2004, whereas there was nil for the period ended September 30, 2005 as a result of the change in accounting policy.

Segment Results

(9.405) (15,100) (257)

4,918

(20,736)

(21,008)

For trading of computer related products, segment turnover amounted to HK\$1,898.8 million, increased by HK\$91.4 million (5.0%) and segment result recorded HK\$89.6 million, decreased by HK\$7.0 million (7.2%).

For trading of consumer electronic products, segment turnover amounted to HK\$670.9 million, decreased by HK\$242.7 million (26.5%) and segment result recorded HK\$13.1 million, decreased by HK\$1.7 million (11.5%).

(Page 1)

For trading of securities, segment turnover amounted to HK\$113.9 million, increased by HK\$112.6 million (over 100%) and segment result recorded HK\$18.6 million, increased by HK\$8.2 million (78.8%).

For properly development and trading, segment turnover amounted to HK\$118.8 million, increased by HK\$118.8 million (100%) and segment result recorded HK\$10.7 million, increased by HK\$10.8 million (over 100%).

This year, the Group still enjoyed steady growth without lowering gross profit margin. This seles growth was due to our persistent efforts to control cost on inventory pricing, our strong and extensive business network worldwide and premotional efforts made.

The results of the Group was critically turned from loss of HK\$15.1 million for the period ended September 30, 2004 to profit of HK\$48.0 million for the period by the reduction of amortization of goodwill urising on acquisitions of substituties and associates during the period of approximately HK\$39.1 million as computed to the period ended September 30, 2005 as a result of the change in accounting policy. Furthermore, the Group suffered less net losses under "Share of results of associates" during the period of HK\$24.1 million, a decrease by HK\$6.3 million (20.7%). In addition, the investment in unlisted convertible notes recorded an unrealized gain of HK\$15.5 million.

Liquidity

Net bank and cash balances at September 30, 2005 decreased significantly to HK\$28.2 million (3/31/2005: HK\$332.6 million), accounting for 2.0% (3/31/2005: 23.7%) of the net tangible asset value of the Group. The cash was mainly used for daily operations and investments in unlisted convertible notes during the period. The current ratio of the Group at September 30, 2005 was 1.39 (3/31/2005: 1.91).

Financial Review

The net current assets of the Group at September 30, 2005 decreased by HK\$406.6 million (35.9%) to HK\$724.9 million (3/31/2005; HK\$1,131.5 million).

Such decreuse was mainly attributable to the decreuse in bank balances and cash, other asset, investments, short-term loan receivables from related companies, margin loan receivables and not tax payable of HK\$304.4 million, HK\$108.0 million, HK\$42.1 million, HK\$5.7 million and HK\$45.2 million, respectively, at period end as compared to the previous year, and offset by the increase in inventories, trade and other receivables, investments, short-term loan receivables, trade, bills and other phyables and borrowings of HK\$49.8 million, HK\$10.1 million, HK\$50.8 million, HK\$146.9 million, HK\$164.9 million and HK\$539.3 million, respectively.

Other asset of HK\$108.0 million as at March 31 2005 were fully disposed of at a consideration of HK\$118.8 million during the period, with a profit of HK\$10.7 million.

Inventories increased from HK\$587.1 million as at March 31, 2005 to HK\$1,085.9 million as at September 30, 2005. This was attributable to the increase in inventory levels of the subsidiaries in the United States and United Kingdom at period end, as management foresaw an increasing sales trend in the coming months. In addition, there was inventories buyback from a customer for conversion to consignment.

Trade and other receivables increased from HK\$766.3 million as at March 31, 2005 to HK\$776.4 million as at September 30, 2005. The number of days for debtors turnover remained already from 38 days last year to 39 days, in current period.

Trade and other payables increased from HK\$1,011.8 million as at March 31, 2005 to HK\$1,180.3 million as at September 30, 2005. The number of day for creditors turnover decreased from 54 days last year to 45 days in current period. The decrease in creditors turnover days was mainly attributable to the early settlement of trade payables in lièn of cash discount on goods purchased during the period.

At September 30, 2003, total borrowings of the Group amounted to HK\$1,026.2 million (3/31/2005; HK\$293.3 million), of which HK\$382.2 million (3/31/2005; HK\$160.0 million) were not repayable within one year. The borrowings in fulled bank borrowings of HK\$371.3 million (3/31/2005; HK\$82.0 million), other loans of HK\$636.5 million (3/31/2005; HK\$161.3 million), overdrafts of HK\$18.4 million (3/31/2005; HK\$47.0 million). In addition, there were obligations under finance leases and amount due to a minority shareholder of HK\$0.5 million and HK\$2.5 million, respectively, as at March 31, 2005. The increase in borrowings was due to new borrowings totaled of HK\$1,163.4 million obtained during the period for the purposes of investment and daily operation, but with the total repayment of only HK\$430.5 million.

Interests in associates

At September 30, 2005, Interests in associates amounted to HK\$645.1 million (3/31/2005: HK\$635.7 million, as restated), represented share of net assects of HK\$604.1 million (3/31/2005: HK\$581.0 million), as restated), goodwill on acquisition of an associate of HK\$31.0 million (3/31/2005: HK\$51.1 million), loan to an associate of HK\$1.4 million (3/31/2005: HK\$1.4 million) and amounts due therefrom of HK\$0.6 million (3/31/2005: HK\$2.2 million). The increase in balance was mainly due to the acquisition of additional equity interest in an associate of HK\$24.1 million, currency translation toss of HK\$8.8 million, share of associates' increase in other reserves and losses, of HK\$32.6 million and HK\$24.1 million, associate was impaired by HK\$1.4 million at period end.

Pledge of assets

At September 30, 2005, certain assets of the Group amounting to HK\$1,386.9 million (3/31/2005: HK\$240.2 million) were pledged to banks and financial institutions for loan facilities granted to the Group.

Gearing ratio

The gearing ratio (horrowings/shareholders' funds) at September 30, 2005 significantly increased to 55.9% (3/31/2005; 16.2%).

Exchange rate and interest rate risks exposure

Must of the Group's business transactions, assets and fiabilities are denominated in Hong Kong Dolfars and United States Dolfars. The risk of foreign exchange fluctuation had not been slignificant to the Group. Interest trates of import loans are mainly referenced to LIBOR or HIBOR plus whereas that of bank and other loans are Prime plus. At the balance sheet date, the Group did not enter into any interest rate speculative and hedging contracts. However, the recent weakening of the Euro Dolfars against United States Dolfars would bring certain exchange losses to the European substitutives for In view of the possible persistent exchange tasses, the Group will consider entering into hedging contracts to eliminate exposure to downside risks, whenever the Group and the concerned foreign subsidiaries think fit.

Contingent liabilities

At September 30, 2005, the Group has no contingent flabilities in relation to guarantees given to banks and other financial institutions for facilities granted to an outsider (3/31/2005: Nil).

1

Employees and remuneration policies

As at September 30, 2005, there were approximately 485 staff (3/31/2005: 500) employed by the Oroup. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. For Group also provided employee training programs, mandatory provident fund scheme, medical insurance and discretionary bonus. Share options are awarded to employees on merit basis. However, no share options were granted during the period.

BUSINESS AND OPERATIONS REVIEW

Trading Operations Review

The Group continued to strengthen the market position in CD, DVD and USB Flash Category. In summery, the Memorex* brand awareness was growing to bring along with continuous growth in revenue and operating margins.

North America

Memorex* North America recorded record revenues and operating income in the first two quarters of Fiscal 2006. Growth in USB Flash and Accessories revenues were the primary drivers of the record revenues achieved during the period. Unit stakes of USB Flash nearly tripled in FV06 providing over 150% revenue growth in the category. Revenue growth was also fueled by uggressive expansion of its sales of Accessories products with revenues growing by 22%. Media revenues were nearly flat from previous year as increased volumes were offset by decreased Average selling prices. In the United States, according to industry trade publications, Memorex* continues to be the American market leader in DVD sales with a 27% share and CDR sales with also a 32% share. We expect DVD volumes to grow substantially in fiscal 2006 while CDR volumes should continue to decline at single digit rates. We continue to expand our presence in Latin America through distribution channels and to explore new market opportunities in Canada. Memorex* continues to be the top brand among the largest retailers in North America. We currently have one or more of our products in 95% of the top twenty retailers in the United States.

Operating margins in North America also achieved record levels. The Company's global purchasing enabled us to improve our gross margins, which we continue to use to leverage our cost structure. We consolidated our Canadian operations into our U.S. operation has yielded operating efficiencies compared to prior year.

Europe

The European market continues to be challenging, CDR and DVD prices continue to come under pressure from a variety of competitors and directly from the disk magnificaturers. In addition, levies in tally and France have negatively impacted the retail demand for CDRs and DVDs as consumers look for alternative channels to purchase media and media atternatives such as MP3 players. On a positive note, The USB Flash business in Europe has grown by \$7%. The Group has continued the successful strategy of supplying key retailers on a direct basis and is currently in more the half of the top European retailers.

Asia

The Asian market continues to be emerging. The revenue was slightly increased by 7%, which was originated by Japan market. Due to low margin in DVD recorders and keen competition in CD and DVD sector, the overall margin was dropped. Research has been made as to launching new products to leverage the Memorea* brand in Asia. The current strategy is to collaborate with more distributors over Asian countries, promote sales of the CDR & DVD and launch new products (like USB flash and Accessories) in line with that of the Group.

Business and Corporate Developments

Disposal of 15,3% interests in China Strategic Holdings Limited ("CSHL") & the acquisition of interests in Group Dragon Investments Limited ("GDI")

On Murch 10, 2005, the Company and PYI Corporation Limited (formerly known as Paul Y.-ITC Construction Holdings Limited) entered into a share sale agreement (the "Share Sale Agreement") with Nation Field Limited for the disposal of an approximately 15.3% interests in CSHL at the consideration of approximately HK\$26 million ("Disposal"). The completion of the Disposal is subject to, unlong others, the group re-organization of CSHL ("CSHL Re-Organization"). Subject to, inter alia, the completion of the CSHL Re-Organization, the Company will make a voluntary offer to acquire all the issued shares in QDI which are not owned or agreed to be acquired by the Company (the "QDI Offer"). The ordinary resolution approxing (i) the making of the GDI Offer (including the allotment and issue of the new shares under Option 1, and the issue of the honds and the transactions contemplated thereunder was duly passed at the special general neeting of the Company held on 7 October 2005. Details of the aforesaid transaction are set out in the joint unnouncement of CSHL, the Company and other parties to the transaction dated April 19, 2005 and the circular of the Company dated September 14, 2005.

The transaction has not yet completed as at the date of this interim results announcement.

Subscription of convertible note of Cheung Tal Hong Holdings Limited ("CTH")

On April 20, 2005, Loyal Concept Limited, an indirect wholly-owned subsidiary of the Company, and CTH entered into a subscription agreement (the "CTH Subscription Agreement") to subscribe a zero coupon convertible note due 2010 of CTH in a principal amount of HK\$450 million at an initial conversion price of HK\$0.44 per conversion share subject to adjustments from time to time.

The subscription and the transactions contemplated under the CTH Subscription Agreement were approved by the shareholders in the special general meeting of the Company held on June 24, 2005 and the CTH Subscription Agreement was completed on August 11, 2005. Details of the transaction are set out in the circular of the Company dated June 7, 2005.

The underwriting agreement and subscription of convertible note of See Corporation Limited (formerly known as Ruill Holdings Limited) ("See Corp")

On April 21, 2005, the Company, See Corp and Tai Fook Securities Company Limited entered into an underwriting agreement, pursuant to which, the maximum number of rights shares to be taken up by the Company was 320 million rights shares at a subscription price of HK\$0.10 per rights share. On the same date, the Company and See Corp entered into a convertible note subscription agreement (the "See Subscription Agreement") to subscribe a zero coupan convertible note due 2010 of See Corp in a principal unuant of HK\$170 million at an initial conversion price of HK\$0.12 per conversion share, subject to adjustments from time to time.

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On July 22, 2005, the Company has subscribed 320 million rights shares of See Corp at HK\$0.10 per rights share. The See Subscription Agreement was completed on August 10, 2005. Details of the transaction are set out in the circular of the Company dated May 24, 2005.

Subscription of convertible note of Wo Kee Hong (Holdings) Limited ("WKH")

On August 18, 2005, the Company and WKH entered into a convertible note subscription agreement (the "WKH Subscription Agreement") to subscribe the 7.25% convertible note due 2008 of WKH in a principal amount of HK\$30 million at an initial conversion price of HK\$0.10 per conversion share, subject to adjustments from time to time.

The WKH Subscription Agreement was completed on September 7, 2005. Details of the transaction are set out in the circular of the Company dated September 9, 2005.

OUTL COL

The Group is well positioned to expand its presence around the globe. We believe that growth in the DVD segment will continue, and prices should stabilize. The overall DCD market will continue to decline for the foreseeable future. We continue to be the market share leader in CDR and DVD media in the United States and expect to leverage that position through expanded product offerings and expanded geographic distribution. In North America and Europe our goal is to expand the products sold within our existing retailers including an expanded accessories offerings, especially media products and USB Flash products, Now that we have achieved a sizable market share in USB Flash we will attempt to improve our margins in the category. Recent market studies indicate that consumers have significant recognition of the Memorax* brand in this segment of the market.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Ilsted securities during the six months ended September 30, 2005.

AUDIT COMMITTER

The Audit Committee of the Company has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the unaudited financial statements for the six months ended September 30, 2005 on the basis that such review does not in itself constitute an audit. The Audit Committee is not aware of any material modifications that should have been made to the interim financial statements for the six months ended September 30, 2005. The Audit Committee, with written terms of reference in line with the code provisions set out in the Code on Corporate Governance Practices as stipulated in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), currently comprise three independent non-executive directors, namely Mr. Kwok Ka Lap, Alva, Mr. Wong King Lam, Joseph and Mr. Sin Chi Fai.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the six munths ended September 30, 2005 except for the following deviations:—

Code Provision A.2.1

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title of "chief executive officer" ("CEO") but instead the duties of a CEO are performed by Dr. Yap, Allan, the Managing Director of the Company in the same capacity as the CEO of the Company.

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive directors of the Company are not appointed for a specific term. However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 87(2) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less execting than those in the Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the directors (the "Model Code"). Having made specific enquiry of all directors of the Company, they have confirmed that they have complied with the required standard set out in the Model Code during the six months ended September 30, 2005.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the interim results of the Group for the six months ended 30 September 2005 required by paragraphs 46(1) to 46(9) inclusive of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board HANNY HOLDINGS LIMITED Dr. Chan Kwok Keung, Charles Chairman

Hong Kong, December 13, 2005

As at the date of this announcement, the directors of the Company are as follows:-

Executive Directors:-Dr. Chan Kwok Keung, Charles Dr. Yap, Allan Mr. Lui Sin Tsuen, Richard Independent Non-Executive Directors:-Mr. Yuen Tin Fan, Francis Mr. Kwok Ka Lap, Alva Mr. Wong King Lam, Joseph Mr. Sin Chi Fai